Indiana Utility Regulatory Commission

Natural Gas Forum

October 16, 2007

Kokomo Gas A NiSource Company

NIPSCO A NiSource Company

Northern Indiana Fuel and Light A NiSource Company

Today's Objectives

- Gas Supply
- Natural Gas Issues
  - Energy efficiency
  - Usage reduction continues
- Emerging Issues
- Forecast for Winter 2006 / 2007
  - Key assumptions
  - Impact on residential customers
  - Comparison to last winter
- Communication and Outreach
- Customer Options
  - Access to alternative products and services
  - Budget billing program

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Gas Supply

Gas Supply Objectives

Objectives Remain Unchanged

- Supply reliability
- Cost effective
  - Committed to purchase lowest reasonable cost
- Price volatility mitigation
  - Storage (physical)
  - Hedging (commercial/financial)

Techniques to achieve these objectives remain unchanged

- Supply flexibility and diversity
- Interconnections with multiple interstate pipelines
- Access to multiple supply basins/suppliers
- Balanced portfolio

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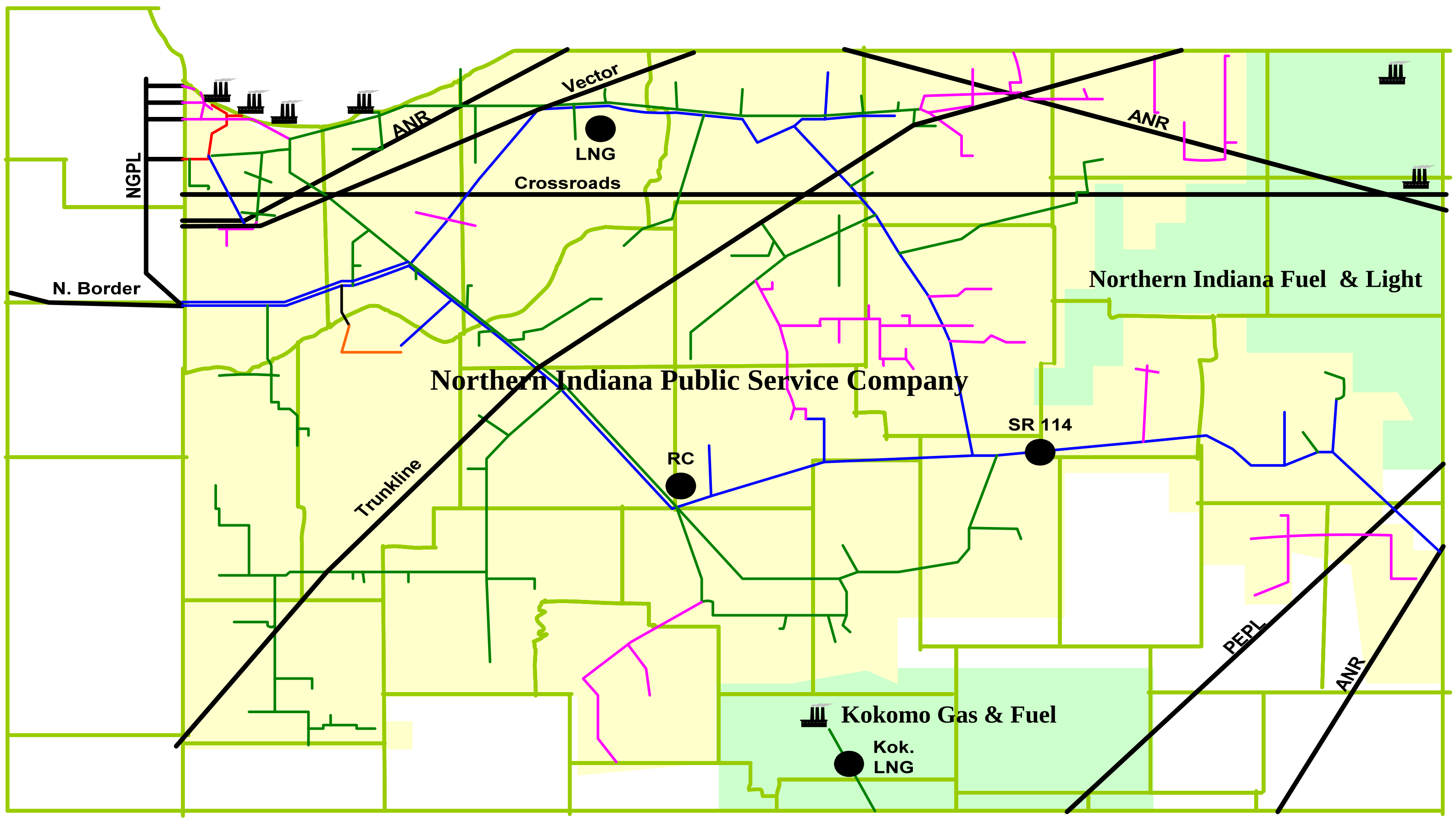
Supply Flexibility and Diversity



Interconnection with Seven (7) Interstate Pipelines: PEPL, ANR, Crossroads, Trunkline, Vector, Northern Border and NGPL

Three (3) On System Storage Facilities: Royal Center (aquifer, base storage, limited flexibility), LNG (needle peaking) (Nipsco and Kokomo)

Access to Eight (8) Major North American Supply Basins: Louisiana / Gulf of Mexico: Henry Hub /ELA / WLA, Permian, South Texas, Texas / Oklahoma, Mid-continent , Rockies, Western Canada

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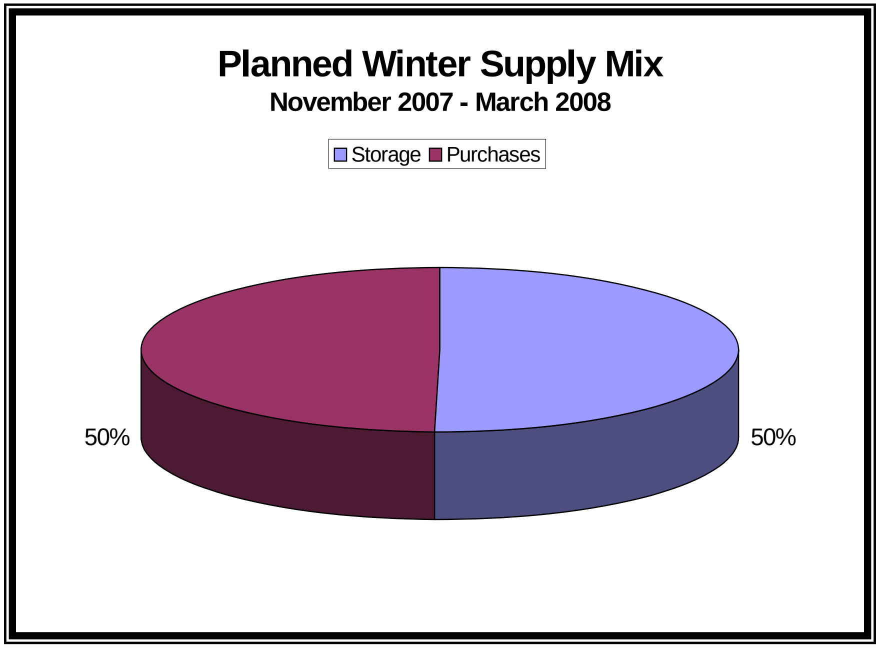
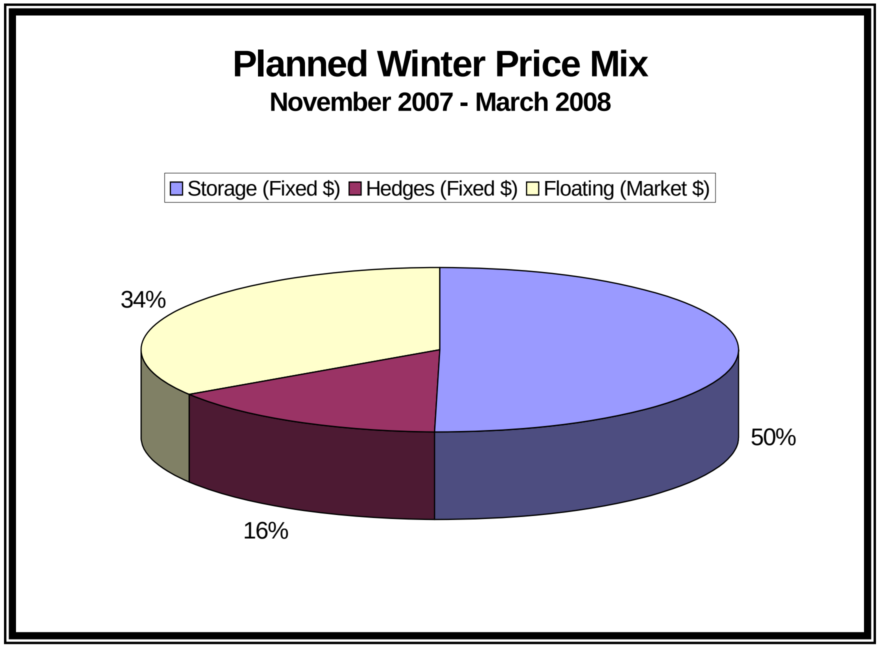
Balanced Portfolio

Storage is Key to Reliable Supply at Stable Prices
Price Diversity: Fixed Versus Market Price





Fixed $ = price does not change
Market $ = prices may change

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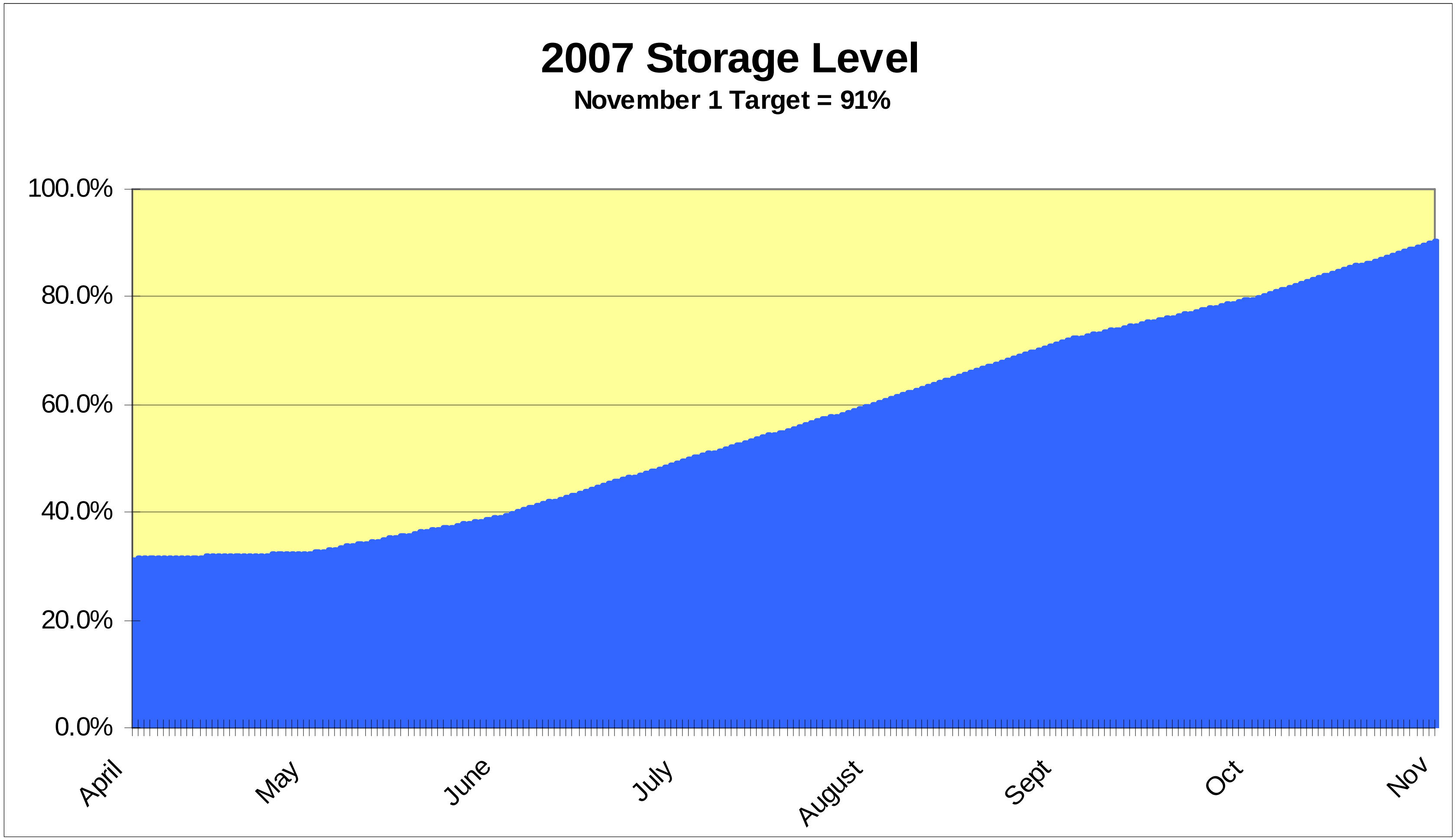
Storage on Target for Winter 2007-2008



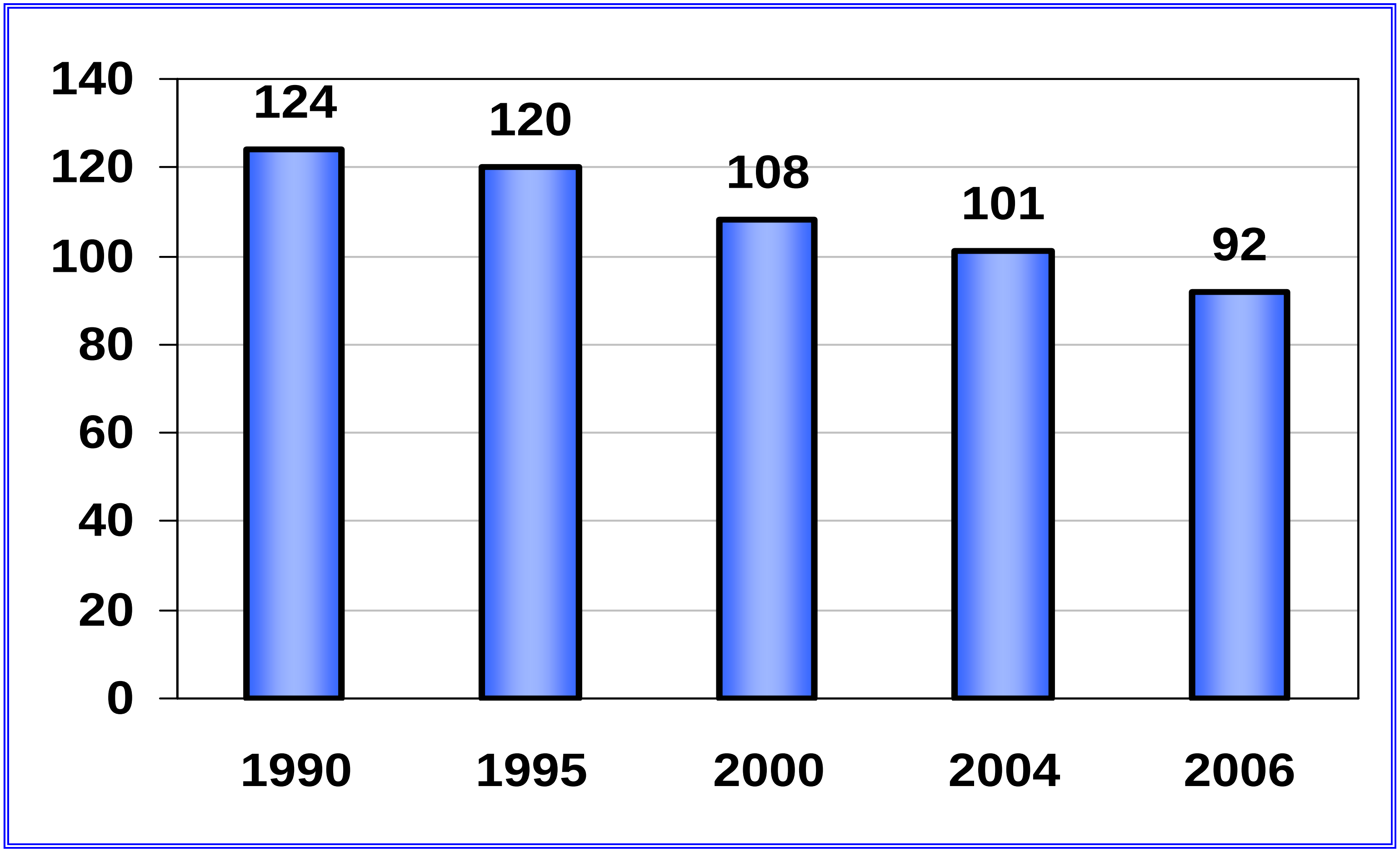
Natural Gas Issues

Residential Energy Efficiency

- Since 2004, $850,000 spent weatherizing low-income homes
- In May 2007, the Commission approved a 4 year residential energy efficiency program
  - Initiatives approved by the Oversight Board include:
    - Working poor weatherization program
    - National Energy Foundation efficiency program for school children
    - Incentive programs (rebates) for high efficiency equipment
      - Furnaces
      - Water heaters
      - Programmable thermostats
      - Clothes washers

Residential Usage Remains on the Decline

Weather Normalized Annual Use (in Mcf) Per Residential Customer



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Emerging Issues

Emerging Issues: Active with Hoosier Homegrown Energy

- Future new supply options
  - Substitute Natural Gas (SNG)
  - Renewable Natural Gas (RNG)
    - Ongoing discussions - Windy Ridge Dairy, Newton Co.
    - Pipeline quality biofuel produced through digester process
    - Up to 800 Dth/day, 0.3% of total gas supply
    - Issues include: gas quality, liability, system upgrades, balancing
    - If economic, online no earlier than late 2008

- Opportunity for usage growth
  - Ethanol Plants
    - Presently two plants on line and three under consideration
    - Existing requirements 5 Bcf could grow to 8 Bcf annually
    - Issues include: financing, permitting, lower ethanol demand

Emerging Issues:
Active in Traditional Gas Supply Development

- Michigan based underground gas storage
- Access to Rockies Express ("REX") through existing pipeline interconnects
- Working with producers who accept LNG cargoes

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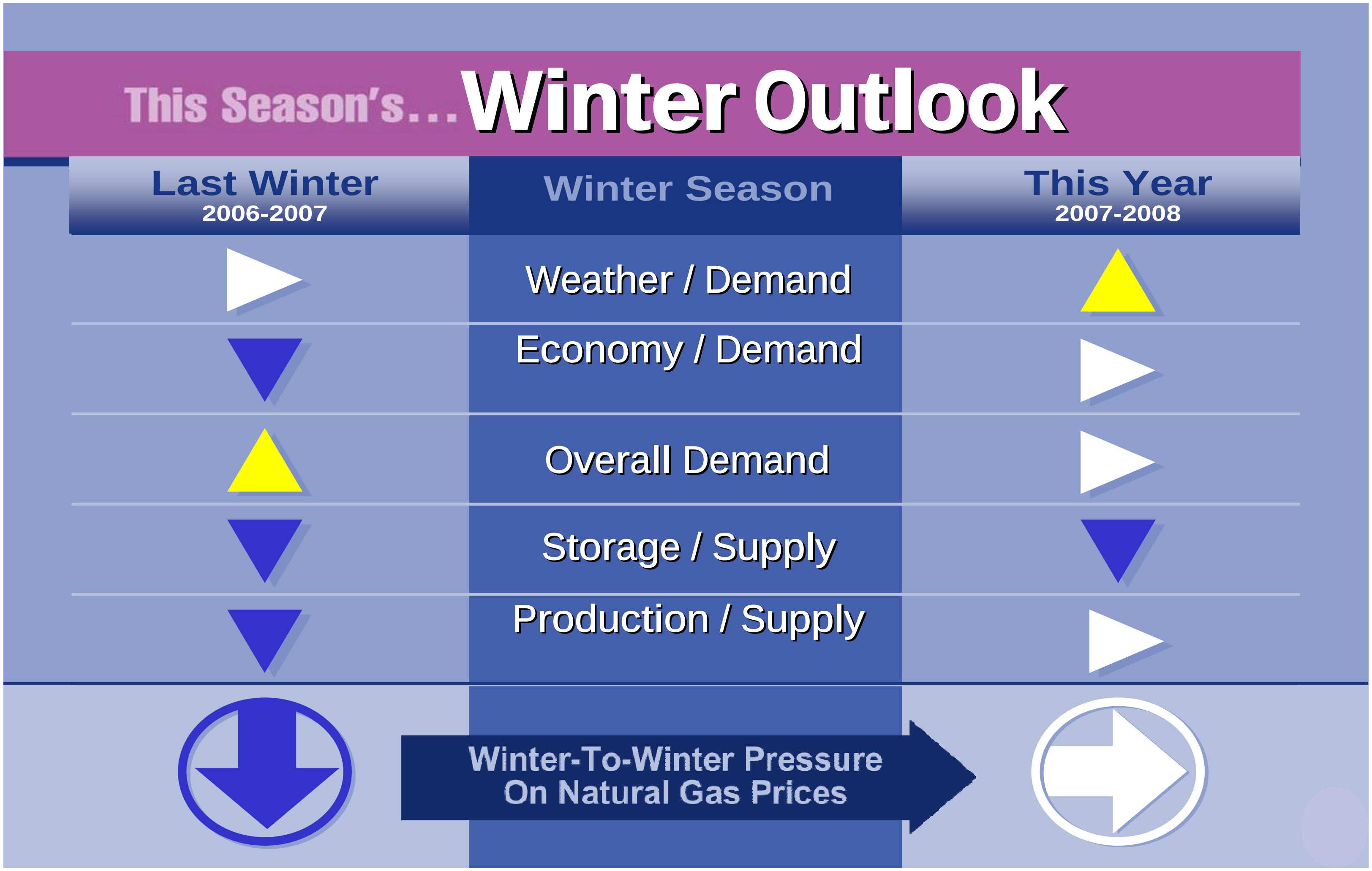
Forecast for Winter 2007 / 2008

Price of Natural Gas ($/therm)



Source: Natural Gas Supply Association (NGSA)

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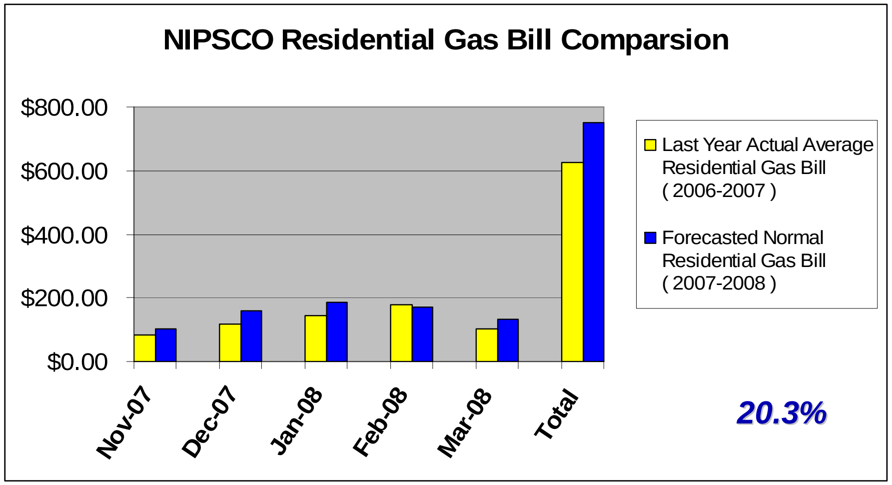
Key Assumptions

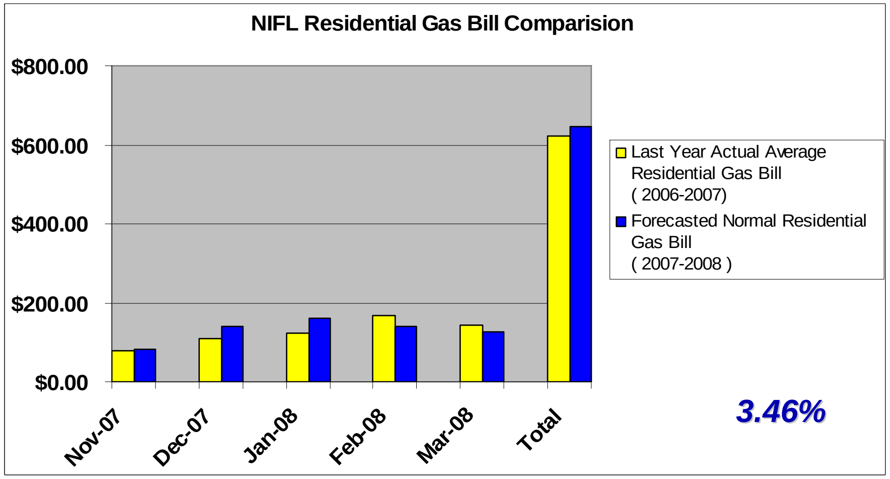
- NIPSCO defines winter as November – March
- Winter 2007 / 2008 price and bill forecasts assume normal weather. Last winter was warmer than normal
- NIPSCO compares winter 2007/2008 projections to previous winter's actual gas bills
- Commodity purchases reflect NYMEX futures at September 27, 28, and October 1, 2007 close
- NIPSCO's winter forecast can be impacted by several unpredictable external factors:
  - Weather variations
  - Supply disruptions
  - Geopolitical considerations
  - Oil prices
  - Gas used in power generation

Impact on Residential Customers

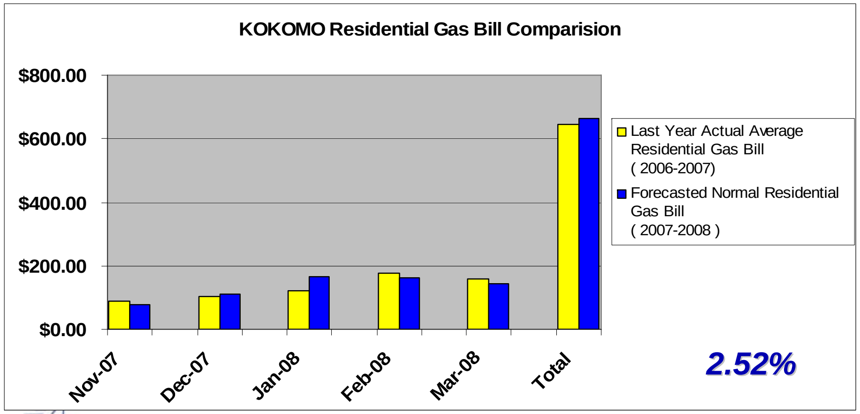
Average bill for 2006/2007 winter projected at $751 vs. 2006/2007 actual at $624



Average bill for 2006/2007 winter projected at $645 vs. 2006/2007 actual at $624



Average bill for 2006/2007 winter projected at $663 vs. 2006/2007 actual at $646



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Communication and Outreach

Winter Communication Messages

- **Educate customers re: energy efficiency and encourage them to prepare now for winter**
  - -Turn-back thermostat
  - - Install programmable thermostat
  - - Consider energy efficient appliances
  - - Home weatherization education
- **Educate customers to make their homes safe by:**
  - - Performing annual furnace inspections
  - - Using spacer heaters safely
  - - Purchasing carbon monoxide detectors
- **Consider services such as the budget payment plan, available at any time**
- **Contact local agencies for assistance programs such as:**
  - - LIHEAP
  - - Township
  - - NIPSCO Winter Warmth *
  - - NIPSCO Gift of Warmth
- **Contact the Company immediately with bill payment problems**

* Pending approval before the IURC

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Customer Outreach Customer Communication

Work to assist customers with energy bills & usage

How We Communicate With Our Customers …

- Energy fairs
- Print, Radio and Cable TV ads
- Monthly bill inserts
- Community meetings & presentations
- Energy Assistance Organizations
- Our website at www.nipsco.com
- Consumer Advisory Panels
- Heating bill forecast
- Monthly NIPSCO energy minute

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Energy Efficiency Outreach
Local Energy Fairs

- Interactive displays and weatherization demonstrations
  - Ft. Wayne, October 6
  - Lake Co. (E. Chicago), October 13
  - South Bend, October 27

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Customer Options

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NIPSCO Provides Customer Options

	Explanation	Customers at August 2007
NIPSCO GCA Service	✓ Customers pay for amount of energy actually used ✓ NIPSCO purchases gas and arranges for portfolio in customers behalf ✓ Gas prices fluctuate monthly with market conditions	601,969
NIPSCO Choice	✓ NIPSCO Choice provides gas customers the opportunity to choose their gas supplier. ✓ An opportunity to save money on gas bills, purchase new products and services and take control of energy costs ✓ Receive the same high quality service that customers expect from NIPSCO. ✓ Continue to receive delivery of gas through the current NIPSCO distribution system	66,172
NIPSCO PPS Price Protection Service	✓ Under PPS Fixed Price option, customers pay the same price per therm ✓ The fixed price for natural gas will remain constant for a 12-month period ✓ Changes in the market price of natural gas will not affect the price ✓ Under PPS Capped Price option, the gas supply charge will be capped for 12 months ✓ The gas delivery charges on customers bills will vary from month to month depending on how much gas is used under either Fixed price or Capped option	29,398
NIPSCO BudgetPlan	✓ Customers pay the same amount each month throughout the entire year. ✓ Monthly statement will always show the status of your account. ✓ Each May, the amount paid is compared to actual usage to determine if customers have overpaid or underpaid ✓ Debit and credit balances, will be adjusted accordingly.	205,679 *
DependaBill	✓ Customized based on gas usage history and the historical temperatures in the area. ✓The fixed payment will remain the same for the 12-month term. ✓ No interim adjustment or end-of-year settle-up due to usage or gas prices. ✓ DependaBill guarantees a fixed monthly bill, but not guarantee savings. ✓ Customers enroll by phone or online. ✓ DependaBill is for metered natural gas only	10,410

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* Approximately 17% of PPS/Choice customers also enrolled in BudgetPlan

Budget Payment Plan

	Customers on Budget Plan @ 08/31/07	Comparison to Total
Kokomo	9,728	28%
NIPSCO	205,679	29%
NIFL	8,364	21%

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